



Westonaria Local Municipality  
Audited Annual Financial Statements  
for the year ended 30 June 2016

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>The following is included in the scope of operation</b>	Service Delivery Municipal Finance Management Act (No. 56 of 2003)
<b>Grading of local authority</b>	Medium Capacity (level 8) GT483
<b>Speaker</b>	Cllr S Monoane
<b>Mayoral committee</b>	
Executive Mayor	Cllr N Tundzi-Hawu
Councillors	Cllr T.A Mncube (MMC Public Safety) Cllr T. Sigwetshe (MMC Corporate) Cllr A. Gela (MMC Health and Social Development) Cllr A. Ntshiba (MMC Finance and LED) Cllr M. Mkhumbuzi (MMC Infrastructure Development) Cllr S Khenene (MMC Human Settlement)
<b>Ward Councillors</b>	Cllr M. Ngamtwini (Ward 1) Cllr M. Jokazi (Ward 2) Cllr A. Sityebi (Ward 3) Cllr P. Mkhugekwana (Ward 5) Cllr P. De Jager (Ward 6) Cllr N. Dyase (Ward 7) Cllr E. Molathlwa (Ward 8) Cllr S. Kolo (Ward 9) Cllr TS. Mngomezulu (Ward 13) Cllr K. Ncele (Ward 14) Cllr T.A. Mncube (Ward 15) Cllr G. Khoza (Ward 16)
<b>PR. Councillors</b>	Cllr T. Nkwatheni Cllr M. Mthimkhulu Cllr N. Baza Cllr V. Lwabi Cllr D. Molebatsi Cllr D. Ndzipho Cllr V. Graan Cllr. J. Letlhake Cllr C. Turner Cllr C. Seitheiso
<b>Accounting Officer</b>	T.C. Ndlovu
<b>Chief Finance Officer (CFO)</b>	V.B Mkhefa
<b>Registered office</b>	Corner Neptune and Saturnus Civic Centre Westonaria 1780
<b>Business address</b>	Corner Neptune and Saturnus Civic Centre Westonaria

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## General Information

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	1780
<b>Postal address</b>	P. O. Box 19 Westonaria 1780
<b>Bankers</b>	ABSA
<b>Auditors</b>	Auditor-General South Africa
<b>Attorneys</b>	Ben Van Niekerk In-house (Legal Department)

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Index

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The reports and statements set out below comprise the audited annual financial statements presented to Council:

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee

# **Westonaria Local Municipality**

Audited Annual Financial Statements for the year ended 30 June 2016

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors were engaged to express an independent opinion on the audited annual financial statements and was given unrestricted access to all financial records and related data.

The audited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The audited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The municipality will be merging with Randfontein Local Municipality to form a new high capacity municipality to serve the communities better, this pronouncement has been finalised formally and will take effect on 03 August 2016.

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The audited annual financial statements set out on pages 5 to 63, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016.

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**Accounting Officer**  
**T.C. Ndlovu**

**Westonaria**  
**31 August 2016**

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2016.

### 1. Review of activities

#### Main business and operations

The operating results and state of affairs of the Municipality are fully set out in the attached audited annual financial statements.

Net deficit of the municipality was R 27 299 903 (2015: surplus R 8 680 963), The significant contributor to the deficit during the year under review was the impairment of our debtors and write offs.

#### Proportion of Gross revenue attributable to various classes of business:

##### 2016

Classes of business	Proportion of contribution to Gross revenue
Electricity	13 %
Water	18 %
Sewerage purification	4 %
Refuse removal	2 %

##### 2015

Classes of business	Proportion of contribution to Gross revenue
Electricity	12 %
Water	19 %
Sewerage purification	3 %
Refuse removal	2 %

### 2. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year, except that Westonaria Local Municipality merged with Randfontein Local Municipality on 3 August 2016 to form Rand West City Local Municipality. Refer paragraphs 3 and 4 of this report.

### 3. Merger

Based on the ruling of the demarcation board, Westonaria Local Municipality and Randfontein Local Municipality merged to form Rand West City Local Municipality effective 03 August 2016.

In terms of this, Rand West City Local Municipality becomes the successor in law to both the Westonaria Local Municipality and Randfontein Local Municipality.

All assets and liabilities of Westonaria Local Municipality and Randfontein Local Municipality will transfer to Rand West City Local Municipality.

Management has taken cognisance of the merger in assessing the going concern of Westonaria Local Municipality.

Refer to paragraphs 2 and 4.

### 4. Going concern

The audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The ability of the municipality to continue as a going concern is dependent on a number of factors. Refer to paragraph 2 and 3 of this report.

Based on the ruling of the demarcation board, Westonaria Local Municipality and Randfontein Local Municipality merged to form Randwest City Local Municipality, effective 03 August 2016.

In terms of this, Rand West City Local Municipality becomes the successor in law to both the Westonaria Local Municipality and Randfontein Local Municipality.

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Officer's Report

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All assets and liabilities of Westonaria Local Municipality and Randfontein Local Municipality will transfer to Randwest City Local Municipality.

### 5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is:

Name  
T. C. Ndlovu

### 6. Accounting policies

The audited Annual Financial Statements were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

### 7. Non-current assets

Details of major changes in the nature of the non-current assets of the municipality during the year are set out in notes 9, 10 and 11 of the audited annual financial statements. There were no changes in the policy relating to the use of non-current assets.

### 8. Financial sustainability

The municipality is currently faced with numerous financial problems which impact, amongst others, on its ability to meet its financial commitments and the provision of sustainable basic services.

Challenges faced regarding financial issues manifests in cash flow constraints. Significant contributing factors are low debtors' collection rates, the fact that the municipality do not recover the cost of rendering services and inadequate budget management.

During the current financial year, the municipality experienced serious cash flow shortages. While the municipality had taken reasonable steps to ensure that all creditors were paid within 30 days, it was not able to meet this criterion. Because of this, there were some instances where the municipality incurred interest in respect of outstanding balances.

The Municipality is facing significant challenges regarding its ability to meet its financial commitments and to ensure sustainability of services provided.

The municipality as part of the new Rand West City Local Municipality has developed a financial recovery plan which seeks to address the issues that have contributed to the current situation.

This plan takes a holistic approach to the organisation and was presented to and approved by the Rand West City Local Municipality Council.

The plan various strategies to effect the changes needed for viability and sustainability of the Municipalities but not all could be considered due to its' limited cash-flow and institutional capacity. In addition to this the strategies will be balanced between short term and long term strategies to ensure the strategies will have the greatest impact based on the resources available, financial and human resources.

### 9. Unable to pay creditors within 30 days

During the current financial year, the municipality experienced serious cash flow shortages. While the municipality had taken reasonable steps to ensure that all creditors were paid within 30 days, it was not able to meet this criterion. Because of this, there were some instances where the municipality incurred interest in respect of outstanding balances. Unable to pay creditors within 30 days.

### 10. Corporate governance

#### General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2010.

# **Westonaria Local Municipality**

Audited Annual Financial Statements for the year ended 30 June 2016

## **Accounting Officer's Report**

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### **11. Secretary**

The secretarial function was performed by Westonaria Local Municipality's Department of Corporate Services.

### **12. Bankers**

For the year under review the bankers were ABSA.

### **13. Auditors**

Auditor-General South Africa will continue to audit as regulated by legislation.



# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	8 687 028	5 678 571
Trade receivables from exchange transactions	4	17 543 978	18 796 501
Trade receivables from non-exchange transactions	5	14 732 223	15 308 934
Other receivables from exchange transactions	6	1 461 970	821 886
Other receivables from non-exchange transactions	7	1 507 935	1 776 415
Inventories	8	1 359 053	1 100 412
		<b>45 292 187</b>	<b>43 482 719</b>
<b>Non-Current Assets</b>			
Investment property	9	114 687 938	97 604 824
Property, plant and equipment	10	1 238 793 245	1 242 196 347
Work-in-progress	10	20 166 376	49 172 011
Intangible assets	11	1 710 606	1 738 765
		<b>1 375 358 165</b>	<b>1 390 711 947</b>
<b>Total Assets</b>		<b>1 420 650 352</b>	<b>1 434 194 666</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Bank overdraft	3	-	6 534 376
Payables from exchange transactions	12	96 754 871	117 931 102
Deferred Income	13	523 455	284 533
Unspent conditional grants and receipts	14	5 788 914	-
VAT payable	15	18 532 574	6 191 662
Consumer deposits	16	3 508 716	3 084 107
Provisions	17	16 699 822	16 952 684
Employee benefit obligation	19	2 380 147	2 067 925
Long Term loan	20	4 896 814	5 410 839
		<b>149 085 313</b>	<b>158 457 228</b>
<b>Non-Current Liabilities</b>			
Provisions	17	62 084 655	44 914 833
Employee benefit obligation	19	98 758 853	87 836 075
Long Term loan	20	2 343 400	7 308 499
		<b>163 186 908</b>	<b>140 059 407</b>
<b>Total Liabilities</b>		<b>312 272 221</b>	<b>298 516 635</b>
<b>Net Assets</b>		<b>1 108 378 131</b>	<b>1 135 678 031</b>
Accumulated surplus		1 108 378 131	1 135 678 031

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	21	296 345 883	270 090 820
Rental of facilities and equipment		426 992	955 213
Income from agency services		7 820 677	6 476 319
Licences and permits		3 066	29 022
Fees earned	22	1 183 997	357 131
Other income	23	7 241 974	6 127 176
Interest on investments	24	1 669 149	1 539 451
<b>Total revenue from exchange transactions</b>		<b>314 691 738</b>	<b>285 575 132</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	265 548 816	265 311 461
<b>Transfer revenue</b>			
Government grants and subsidies	26	186 368 906	200 648 170
Public contributions and donations	27	8 879 459	8 326 538
Fines	28	4 966 737	2 877 143
<b>Total revenue from non-exchange transactions</b>		<b>465 763 918</b>	<b>477 163 312</b>
<b>Total revenue</b>		<b>780 455 656</b>	<b>762 738 444</b>
<b>Expenditure</b>			
Employee related cost	29	(154 439 953)	(133 055 443)
Remuneration of councillors	30	(11 327 282)	(11 853 011)
Depreciation and amortisation	31	(64 613 776)	(65 392 859)
Impairment loss	32	(18 351 857)	(1 130 156)
Finance costs	33	(5 900 656)	(10 827 709)
Debt impairment	34	(207 872 297)	(234 427 584)
Collection costs		(416 589)	(35 120)
Repairs and maintenance		(13 604 559)	(14 656 965)
Bulk purchases	35	(211 691 410)	(184 147 609)
Contracted services	36	(25 627 817)	(21 492 116)
Interest cost		(10 977 110)	(8 955 069)
Write offs	37	(69 604 215)	(37 489 672)
General expenses	38	(31 017 005)	(42 732 743)
<b>Total expenditure</b>		<b>(825 444 526)</b>	<b>(766 196 056)</b>
<b>Operating deficit</b>		<b>(44 988 870)</b>	<b>(3 457 612)</b>
Fair value adjustments	9	17 083 114	3 966 500
Actuarial gains	19	605 853	8 172 075
		<b>17 688 967</b>	<b>12 138 575</b>
<b>(Deficit) surplus for the year</b>		<b>(27 299 903)</b>	<b>8 680 963</b>

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 154 430 610	1 154 430 610
Adjustments		
Prior year adjustments*	(27 433 542)	(27 433 542)
<b>Balance at 01 July 2014 as restated*</b>	<b>1 126 997 068</b>	<b>1 126 997 068</b>
Restated* surplus for the year	8 680 963	8 680 963
Total changes	8 680 963	8 680 963
<b>Balance at 01 July 2015</b>	<b>1 135 678 034</b>	<b>1 135 678 034</b>
Changes in net assets		
Deficit for the year	(27 299 903)	(27 299 903)
Total changes	(27 299 903)	(27 299 903)
<b>Balance at 30 June 2016</b>	<b>1 108 378 131</b>	<b>1 108 378 131</b>

\*See note 43

# Westonaria Local Municipality

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## Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		304 730 202	353 788 588
Grants		192 157 820	183 131 650
Interest income		1 669 149	1 539 451
Public contributions and donations		-	1 307 000
Other receipts		17 118 494	2 289 172
Consumer deposits		424 608	569 260
		<u>516 100 273</u>	<u>542 625 121</u>
<b>Payments</b>			
Employee costs		(160 975 947)	(141 941 566)
Suppliers		(289 924 522)	(319 440 879)
Finance costs		(5 900 656)	(10 827 709)
		<u>(456 801 125)</u>	<u>(472 210 154)</u>
<b>Net cash flows from operating activities</b>	39	<b><u>59 299 148</u></b>	<b><u>70 414 967</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(44 277 191)	(77 686 348)
Proceeds from sale of property, plant and equipment	10	-	4 077 015
Purchase of other intangible assets	11	-	(7 039)
<b>Net cash flows from investing activities</b>		<b><u>(44 277 191)</u></b>	<b><u>(73 616 372)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of long term loan		(5 479 124)	(6 407 144)
Movement in other liability		-	22 073
<b>Net cash flows from financing activities</b>		<b><u>(5 479 124)</u></b>	<b><u>(6 385 071)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>9 542 833</b>	<b>(9 586 476)</b>
Cash and cash equivalents at the beginning of the year		(855 805)	8 730 671
<b>Cash and cash equivalents at the end of the year</b>	3	<b><u>8 687 028</u></b>	<b><u>(855 805)</u></b>

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	296 768 309	(30 000 000)	266 768 309	296 345 883	29 577 574	54.2
Rental of facilities and equipment	387 089	-	387 089	426 992	39 903	
Agency services	8 400 000	-	8 400 000	7 820 677	(579 323)	
Licences and permits	-	-	-	3 066	3 066	
Fees earned	-	-	-	1 183 997	1 183 997	
Other income	1 609 700	-	1 609 700	7 241 974	5 632 274	
Interest on investments	529 000	820 000	1 349 000	1 669 149	320 149	54.3
Gains on disposal of assets	500 000	-	500 000	-	(500 000)	54.5
<b>Total</b>	<b>308 194 098</b>	<b>(29 180 000)</b>	<b>279 014 098</b>	<b>314 691 738</b>	<b>35 677 640</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	67 018 180	-	67 018 180	265 548 816	198 530 636	54.1
Property rates - penalties	3 000 000	-	3 000 000	-	(3 000 000)	54.1

##### Transfer revenue

Government grants & subsidies	191 625 550	-	191 625 550	186 368 906	(5 256 644)	
Public contributions and donations	-	-	-	8 879 459	8 879 459	54.6
Fines	6 000 000	(5 000 000)	1 000 000	4 966 737	3 966 737	54.4
<b>Total</b>	<b>267 643 730</b>	<b>(5 000 000)</b>	<b>262 643 730</b>	<b>465 763 918</b>	<b>203 120 188</b>	

#### Total revenue

<b>575 837 828</b>	<b>(34 180 000)</b>	<b>541 657 828</b>	<b>780 455 656</b>	<b>238 797 828</b>	
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#### Expenditure

Employee related cost	(148 900 129)	-	(148 900 129)	(154 439 953)	(5 539 824)	
Remuneration of councillors	(12 556 080)	-	(12 556 080)	(11 327 282)	1 228 798	
Depreciation and amortisation	(115 864 387)	50 471 537	(65 392 850)	(64 613 776)	779 074	
Impairment loss	-	-	-	(18 351 857)	(18 351 857)	
Finance costs	(2 200 000)	2 200 000	-	(5 900 656)	(5 900 656)	54.8
Debt impairment	(25 000 000)	(51 189 832)	(76 189 832)	(207 872 297)	(131 682 465)	54.7
Collection costs	-	-	-	(416 589)	(416 589)	
Repairs and maintenance	-	-	-	(13 604 559)	(13 604 559)	
Bulk purchases	(193 733 448)	(5 248 213)	(198 981 661)	(211 691 410)	(12 709 749)	
Contracted services	(21 500 000)	1 918 000	(19 582 000)	(25 627 817)	(6 045 817)	54.9
Interest cost	(2 500 000)	-	(2 500 000)	(10 977 110)	(8 477 110)	54.11
Write offs	-	-	-	(69 604 215)	(69 604 215)	54.10
General expenses	(21 100 000)	(10 000 000)	(31 100 000)	(31 017 005)	82 995	
<b>Total expenditure</b>	<b>(543 354 044)</b>	<b>(11 848 508)</b>	<b>(555 202 552)</b>	<b>(825 444 526)</b>	<b>(270 241 974)</b>	
<b>Operating deficit</b>	<b>32 483 784</b>	<b>(46 028 508)</b>	<b>(13 544 724)</b>	<b>(44 988 870)</b>	<b>(31 444 146)</b>	
Fair value adjustments	-	-	-	17 083 114	17 083 114	
Actuarial gains	-	-	-	605 853	605 853	
	-	-	-	17 688 967	17 688 967	
<b>Deficit for the year</b>	<b>32 483 784</b>	<b>(46 028 508)</b>	<b>(13 544 724)</b>	<b>(27 299 903)</b>	<b>(13 755 179)</b>	

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1. Presentation of Audited Annual Financial Statements

The audited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These audited Annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these audited annual financial statements, are disclosed below.

#### 1.1 Presentation currency

These audited annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information presented in Rand has been rounded to the nearest rand.

#### 1.2 Going concern assumption

These audited annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. Based on the ruling of the demarcation board, Westonaria Local Municipality and Randfontein Local Municipality merged to form Rand West City Local Municipality effective 3 August 2016. In terms of this, Rand West City Local Municipality becomes the successor in law to both the Westonaria Local Municipality and Randfontein Local Municipality. All assets and liabilities of Westonaria Local Municipality and Randfontein Local Municipality will transfer to Rand West City Local Municipality.

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the audited annual financial statements. Significant judgements include:

##### Trade and other receivables

The municipality assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

##### Allowance for slow moving stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management assess the slow moving stock at year-end. The write down is included in the operation surplus note. The municipality has classified slow moving stock as stock which has no movement for at least 12 months.

##### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Value in use of non-cash generating assets:

The Municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the medical aid and long service award obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals, for undetermined use or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.



# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.5 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings - Civil Structure	Straight line	15-80 years
Buildings - Building elements	Straight line	15-60 years
Furniture and Equipment - Furniture and fixtures	Straight line	4-12 years
Furniture and Equipment - Office equipment	Straight line	3-15 years
Furniture and Equipment - Plant and equipment	Straight line	2-12 years
Transport Assets	Straight line	3-12 years
IT equipment	Straight line	3-10 years
Sports facilities	Straight line	15-30 years
Service connections ( on site)	Straight line	10-50 years
External improvements	Straight line	10-50 years
Rail network - Rail lines	Straight line	12-50 years
Rail network - Earthworks	Straight line	100 years
Rail network - Rail Furniture	Straight line	7-20 years
Wastewater network - Pipe work	Straight line	10-80 years
Electricity network - HV Conductors	Straight line	50 years
Electricity network - HV Substation	Straight line	45-50 years
Electricity network - MV Conductors	Straight line	50 years
Electricity network - MV Substation	Straight line	3-45 years
Electricity network - MV Switch gear	Straight line	45 years
Electricity network - MV Transformer	Straight line	45 years
Electricity network - LV Conductors	Straight line	45-60 years
Electricity network - Public lighting	Straight line	45 years
Electricity network - Municipality service connection	Straight line	20-50 years

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

Plant and machinery - Mechanical plant	Straight line	10-20 years
Plant and machinery - Electrical plant	Straight line	10-50 years
Roads and stormwater - Pavements	Straight line	5-80 years
Roads and stormwater - Earthworks	Straight line	100 years
Roads and stormwater - Road drainage	Straight line	5-60 years
Roads and stormwater - Road furniture	Straight line	5-20 years
Roads and stormwater - Storm Water conveyance	Straight line	30-60 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.6 Intangible assets (continued)

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Servitudes	Indefinite
Computer software	3 years

### 1.7 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:  
[Specify criteria]

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.7 Impairment of non-cash-generating assets (continued)

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived.

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

## Audited Annual Financial Statements for the year ended 30 June 2016

## 1.8 Financial instruments (continued)

Financial asset measured at amortised cost

Class	Category
Payables from exchange transactions	Financial asset measured at amortised cost
Bank overdraft	Financial asset measured at amortised cost

The municipality recognises financial assets using trade date accounting.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Property rates taxes and Transfers), where it is the recipient of the loan.

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

### 1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

The municipality is in a operating lease contracts and is a lessee.

Any contingent rents are recognised separately as an expense in the period which they are incurred.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. The aggregate benefit of incentives is recognised as a reduction of rental expense in the period in which they are incurred.

### 1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.11 Employee benefits

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees. This relates to medical aid liability and long service award liability.

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations with sufficient regularity such that the amounts recognised in the audited annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.



# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### 1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.12 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the municipality consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.7.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs

### 1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The municipality recognise prepaid service charges as revenue when prepaid water and electricity is sold to a customer.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

### 1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

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### 1.14 Revenue from non-exchange transactions (continued)

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

# Westonaria Local Municipality

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## Accounting Policies

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### 1.14 Revenue from non-exchange transactions (continued)

#### Property rates taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the actual value of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

#### Collection charges and penalties

Collection charges and penalty interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,

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### 1.14 Revenue from non-exchange transactions (continued)

- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable)

### Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

### 1.15 Other income

Interest income is recognised on a time-proportion basis using the effective interest method.

### 1.16 Value-added tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the cash basis, in accordance with section 15(2) of the VAT Act (Act No. 89 of 1991).

### 1.17 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date), and
- b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.19 Unauthorised expenditure

Unauthorised expenditure is that which has not been budgeted for; expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or expenditure in the form of a grant that is not permitted in terms of the MFMA (Act No. 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Unauthorised expenditure is accounted for in the financial statements and, where recovered, is subsequently accounted for as revenue in the same statement.

### 1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

# Westonaria Local Municipality

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### 1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's Supply Chain Management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.22 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by programmes linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015-07-01 to 2016-06-30.

The audited annual financial statements and the budget are not on the same basis of accounting therefore a comparison of the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.23 Commitments

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2017	The impact is not material
• GRAP 20: Related parties	01 April 2017	The impact is not material
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	The impact is not material
• GRAP 108: Statutory Receivables	01 April 2016	The impact is not material
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact is not material
• GRAP 16 (as amended 2015): Investment Property	01 April 2016	The impact is not material
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The impact is not material
• GRAP 109: Accounting by Principals and Agents	01 April 2017	The impact is not material
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	The impact is not material
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	The impact is not material
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact is not material

### 3. Cash and cash equivalents

Cash and cash equivalents consists of:

Cash on hand	24 571	24 571
Bank balances	8 187 165	4 852 588
Short-term deposits	475 292	801 412
Bank overdraft	-	(6 534 376)
	<b>8 687 028</b>	<b>(855 805)</b>
Current assets	8 687 028	5 678 571
Current liabilities	-	(6 534 376)
<b>Net cash/ (overdraft)</b>	<b>8 687 028</b>	<b>(855 805)</b>

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### 3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA Bank Westonaria - Primary bank account - 590000-019	5 056 057	6 500 977	1 286 857	5 043 841	(6 534 376)	(15 896 814)
ABSA Bank - MIG account - 4077-044-564	253 710	56 223	-	-	56 223	57 327
ABSA Bank - Speed Fines account - 4077-044-996	654 412	3 004	3 401	698 562	22 213	3 401
ABSA Bank - Licensing account - 9069-541-719	1 745 455	4 577 930	57 327	2 220 461	4 744 700	-
ABSA Bank - Debtors account - 0 408-213-2336	-	-	-	224 302	29 452	3 485 674
ABSA Bank - Investment account - 9296-240-291	-	7 540	20 259 518	-	7 540	20 259 518
ABSA Bank - Investment account - 6304-469-100	-	8 777	8 730	-	8 777	8 730
ABSA Bank - Investment account - 1009-120-510	-	773	770	-	773	770
ABSA Bank - Investment account - 9054-399-870	-	29 196	28 963	-	29 196	28 963
ABSA Bank - Investment account - 9057-050-350	-	88 110	87 643	-	88 110	87 643
ABSA Bank - Investment account - 4082-131-607	-	172 067	173 057	-	172 067	173 057
FNB Bank - Investment account - 7100-1035-031	-	43 978	41 528	-	43 978	41 528
FNB Bank - Investment account - 7103-8284-304	63 542	56 182	56 182	63 542	56 182	56 182
FNB Bank - Investment account - 7103-8284-297	120 273	113 233	106 908	120 273	113 233	106 908
FNB Bank - Investment account - 7103-8605-740	27 383	25 768	24 541	27 383	25 768	24 541
NEDBANK Bank - Investment account - 119-876-22	83 523	83 523	83 523	83 523	83 523	83 523
NEDBANK Bank - Investment account - 197-708-42	58 495	53 127	51 915	58 495	53 127	51 915
NEDCOR Bank - Investment account - 118-128-75	55 238	55 062	51 418	55 238	55 062	51 418
STANDARD BANK Bank - Investment account - 286-330-16	60 859	58 227	56 094	60 859	58 227	56 094
STANDARD BANK Bank - Investment account - 328-634-174	5 979	5 849	5 748	5 978	5 849	5 748
Petty Cash	24 571	24 571	44 541	24 571	24 571	44 545
<b>Total</b>	<b>8 209 497</b>	<b>11 964 117</b>	<b>22 428 664</b>	<b>8 687 028</b>	<b>(855 805)</b>	<b>8 730 671</b>



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### 4. Trade receivables from exchange transactions

#### Gross balances

Electricity	48 637 960	31 760 422
Water	38 355 024	49 000 296
Sewerage	15 616 792	9 592 687
Refuse	18 692 743	15 601 025
Housing rental	321 968	2 062 415
Other (VAT, capital, interest, reconnection fees)	39 538 683	66 462 300
	<b>161 163 170</b>	<b>174 479 145</b>

#### Less: Allowance for impairment

Electricity	(42 997 800)	(25 502 736)
Water	(31 405 698)	(45 617 573)
Sewerage	(15 086 193)	(8 930 458)
Refuse	(18 057 634)	(14 524 013)
Housing rental	(312 371)	(1 920 037)
Other (VAT, capital, interest, reconnection)	(35 759 496)	(59 187 827)
	<b>(143 619 192)</b>	<b>(155 682 644)</b>

#### Net balance

Electricity	5 640 160	6 257 686
Water	6 949 326	3 382 723
Sewerage	530 599	662 229
Refuse	635 109	1 077 012
Housing rental	9 597	142 378
Other (VAT, capital, interest, reconnection)	3 779 187	7 274 473
	<b>17 543 978</b>	<b>18 796 501</b>

#### Electricity

Current (0 -30 days)	714 243	560 643
31 - 60 days	260 768	483 335
61 - 90 days	218 132	460 673
91 - 120 days	234 719	446 897
> 121 days	4 212 298	4 306 138
	<b>5 640 160</b>	<b>6 257 686</b>

#### Water

Current (0 -30 days)	2 262 582	303 067
31 - 60 days	625 539	261 277
61 - 90 days	298 627	249 026
91 - 120 days	264 493	241 580
> 121 days	3 498 085	2 327 773
	<b>6 949 326</b>	<b>3 382 723</b>

#### Sewerage

Current (0 -30 days)	53 341	59 331
31 - 60 days	35 935	51 150
61 - 90 days	34 544	48 751
91 - 120 days	33 709	47 294
> 121 days	373 070	455 703
	<b>530 599</b>	<b>662 229</b>

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### 4. Trade receivables from exchange transactions (continued)

#### Refuse

Current (0 -30 days)	51 106	96 492
31 - 60 days	35 542	83 187
61 - 90 days	32 096	79 287
91 - 120 days	29 201	76 916
> 121 days	487 164	741 130
	<b>635 109</b>	<b>1 077 012</b>

#### Housing rental

Current (0 -30 days)	291	12 756
31 - 60 days	270	10 997
61 - 90 days	611	10 481
91 - 120 days	239	10 168
> 121 days	8 186	97 976
	<b>9 597</b>	<b>142 378</b>

#### Other

Current (0 -30 days)	295 980	916 347
31 - 60 days	138 822	789 991
61 - 90 days	110 051	752 949
91 - 120 days	117 860	730 430
> 121 days	3 116 474	4 084 756
	<b>3 779 187</b>	<b>7 274 473</b>

#### Reconciliation of allowance for impairment

Balance at beginning of the year	(155 682 644)	(113 451 004)
Contributions to allowance	(4 696 364)	(42 231 640)
Debt impairment written off against allowance	16 759 816	-
	<b>(143 619 192)</b>	<b>(155 682 644)</b>

#### Receivables pledged as security

During the year no receivables were pledged as security.

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### 5. Trade receivables from non - exchange transactions

Trade receivables from non-exchange transactions comprised of property rates. The significant increases during the year compared to prior year were due to the increase in mining property values.

#### Property rates

Property rates	417 619 072	221 757 005
Less: Allowance for impairment	(402 886 849)	(206 448 072)
	<b>14 732 223</b>	<b>15 308 933</b>

#### Property rates

Current (0 -30 days)	178 077	1 875 194
31 - 60 days	165 904	1 616 622
61 - 90 days	163 869	1 540 821
91 - 120 days	161 080	1 494 748
121 - 365 days	2 745 267	14 402 832
	<b>3 414 197</b>	<b>20 930 217</b>

#### Reconciliation of allowance for impairment: non-exchange transactions

Balance at the beginning of the year	(206 722 445)	(21 456 121)
Contributions to allowance	(196 164 403)	(179 828 049)
	<b>(402 886 848)</b>	<b>(201 284 170)</b>

### 6. Other receivables from exchange transactions

Salary debtors	244 718	-
Sundry receivables	12 615 347	8 827 041
Allowance for impairment - Sundry receivables	(11 398 095)	(8 005 155)
	<b>1 461 970</b>	<b>821 886</b>

### 7. Other Receivables from non-exchange transactions

Fines debtors	28 883 960	25 808 223
Allowance for impairment- non exchange	(27 376 025)	(24 031 808)
	<b>1 507 935</b>	<b>1 776 415</b>

### 8. Inventories

Consumable stores- at cost	973 899	770 452
Water	385 154	329 960
	<b>1 359 053</b>	<b>1 100 412</b>

During the year no inventory was pledged as security.

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### 9. Investment property

#### Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Investment property	97 604 824	17 083 114	114 687 938

#### Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	93 638 324	3 966 500	97 604 824

#### Investment Property

During the year no investment property was pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The effective date of valuation is 30 June 2016. Valuations were performed by Ian Smith from Evaluation Property Intelligence who holds a qualification in National diploma in property valuations and has 20 years experience. Ian Smith is an independent valuator and has an accreditation with South African Council Property values profession.

The valuation was based on open market values for existing use.

These assumptions are based on current market conditions.

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### 10. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	236 026 542	-	236 026 542	236 026 542	-	236 026 542
Buildings	65 747 870	(44 987 710)	20 760 160	65 747 868	(43 312 621)	22 435 247
Housing	21 499 558	(19 231 922)	2 267 636	21 499 558	(18 875 496)	2 624 062
Community assets	246 408 789	(95 478 259)	150 930 530	223 852 307	(85 651 350)	138 200 957
Sports & recreational facilities (including land)	61 011 065	(25 934 692)	35 076 373	54 885 979	(24 875 577)	30 010 402
Capital spares	1 607 461	-	1 607 461	1 870 944	-	1 870 944
Electricity network	350 760 998	(226 242 969)	124 518 029	349 000 860	(219 775 240)	129 225 620
Roads and stormwater network	863 098 601	(427 118 661)	435 979 940	840 976 279	(402 229 997)	438 746 282
Sanitation network	266 159 619	(163 392 038)	102 767 581	259 304 698	(150 161 069)	109 143 629
Water network	265 417 553	(153 526 881)	111 890 672	259 326 198	(146 131 434)	113 194 764
Furniture and fixtures	12 669 546	(6 796 597)	5 872 949	14 286 745	(7 045 935)	7 240 810
IT equipment	4 031 869	(2 048 230)	1 983 639	3 516 452	(1 523 835)	1 992 617
Motor vehicles	16 468 259	(11 562 872)	4 905 387	17 149 559	(10 182 251)	6 967 308
Library books	9 007 760	(4 801 414)	4 206 346	8 349 872	(3 832 709)	4 517 163
<b>Total</b>	<b>2 419 915 490</b>	<b>(1 181 122 245)</b>	<b>1 238 793 245</b>	<b>2 355 793 861</b>	<b>(1 113 597 514)</b>	<b>1 242 196 347</b>

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### 10. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Landfill site valuations	Donations	Derecognition/ write off	Depreciation	Impairment loss	Impairment reversal	Total
Land	236 026 542	-	-	-	-	-	-	-	236 026 542
Buildings	22 435 247	-	-	-	-	(1 645 844)	(29 243)	-	20 760 160
Housing	2 624 062	-	-	-	-	(356 426)	-	-	2 267 636
Community assets	138 200 957	9 965 114	14 303 995	-	(228 950)	(10 910 020)	(453 323)	52 757	150 930 530
Sports & recreational facilities (including land)	30 010 402	6 882 318	-	-	(312 218)	(1 504 129)	-	-	35 076 373
Capital spares	1 870 944	-	-	-	(263 483)	-	-	-	1 607 461
Electricity network	129 225 620	3 429 274	-	-	(242 590)	(7 954 959)	(45 182)	105 866	124 518 029
Roads and Stormwater network	438 746 282	24 697 136	-	-	(1 646 865)	(20 664 067)	(5 152 546)	-	435 979 940
Sanitation network	109 143 629	14 810 320	-	-	(4 268 681)	(4 264 499)	(12 653 188)	-	102 767 581
Water network	113 194 764	11 430 654	-	-	(624 199)	(12 092 175)	(18 372)	-	111 890 672
Furniture and fixtures	7 240 810	794 491	-	-	(533 964)	(1 628 388)	-	-	5 872 949
IT equipment	1 992 617	646 314	-	-	(9 514)	(645 778)	-	-	1 983 639
Motor vehicles	6 967 308	-	-	-	(111 885)	(1 950 036)	-	-	4 905 387
Library books	4 517 163	627 200	-	31 379	(100)	(969 296)	-	-	4 206 346
	<b>1 242 196 347</b>	<b>73 282 821</b>	<b>14 303 995</b>	<b>31 379</b>	<b>(8 242 449)</b>	<b>(64 585 617)</b>	<b>(18 351 854)</b>	<b>158 623</b>	<b>1 238 793 245</b>

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### 10. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Landfill site valuations	Donations	Derecognition/ write off	Depreciation	Impairment loss	Total
Land	236 026 542	-	-	-	-	-	-	236 026 542
Buildings	24 510 844	521 392	-	-	-	(2 544 232)	(52 757)	22 435 247
Housing	3 214 851	-	-	-	-	(590 789)	-	2 624 062
Community assets	147 920 046	8 365 361	2 022 263	-	(6 994)	(19 128 186)	(971 533)	138 200 957
Sports & recreational facilities (including land)	14 763 095	15 679 370	-	-	-	(432 063)	-	30 010 402
Capital spares	1 870 944	-	-	-	-	-	-	1 870 944
Electricity network	120 963 701	15 112 522	-	-	(319 588)	(6 425 149)	(105 866)	129 225 620
Roads and Stormwater network	444 503 461	90 236	-	7 531 011	(519 137)	(12 859 289)	-	438 746 282
Sanitation network	111 835 534	1 384 403	-	-	-	(4 076 308)	-	109 143 629
Water network	107 414 644	19 982 475	-	-	-	(14 202 355)	-	113 194 764
Furniture and fixtures	7 205 952	1 445 226	-	-	(1 012)	(1 409 356)	-	7 240 810
IT equipment	1 963 376	524 902	-	49 516	(1 258)	(543 919)	-	1 992 617
Motor vehicles	9 390 913	-	-	-	(297 931)	(2 125 674)	-	6 967 308
Library books	5 023 145	441 252	-	-	(15 159)	(932 075)	-	4 517 163
	<b>1 236 607 048</b>	<b>63 547 139</b>	<b>2 022 263</b>	<b>7 580 527</b>	<b>(1 161 079)</b>	<b>(65 269 395)</b>	<b>(1 130 156)</b>	<b>1 242 196 347</b>

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### 10. Property, plant and equipment (continued)

#### Pledged as security

During the year no property, plant and equipment was pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### Reconciliation of Capital work-in-progress: 2016

Category	Opening balance	Additions	Capitalise	Closing balance
Buildings	-	6 443 769	-	6 443 769
Community assets	8 002 623	2 401 088	(9 965 114)	438 597
Sports and recreation	4 077 465	9 062 390	(6 882 318)	6 257 537
Electricity network	680 213	5 759 180	(3 429 274)	3 010 119
Roads and stormwater	14 790 669	11 729 772	(24 697 136)	1 823 305
Sanitation network	14 810 320	-	(14 810 320)	-
Water network	6 810 721	6 812 980	(11 430 652)	2 193 049
	<b>49 172 011</b>	<b>42 209 179</b>	<b>(71 214 814)</b>	<b>20 166 376</b>

#### Reconciliation of Capital work-in-progress: 2015

Category	Opening balance	Additions	Capitalise	Closing balance
Buildings	521 392	-	(521 392)	-
Community assets	7 612 944	8 755 040	(8 365 361)	8 002 623
Sports and recreation	12 763 856	6 992 979	(15 679 370)	4 077 465
Electricity network	202 500	15 590 235	(15 112 522)	680 213
Roads and stormwater	2 147 613	12 733 292	(90 236)	14 790 669
Sanitation network	4 023 135	12 171 588	(1 384 403)	14 810 320
Water network	15 859 420	10 933 776	(19 982 475)	6 810 721
	<b>43 130 860</b>	<b>67 176 910</b>	<b>(61 135 759)</b>	<b>49 172 011</b>



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### 11. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	375 395	(298 104)	77 291	375 395	(269 945)	105 450
Servitudes	1 633 315	-	1 633 315	1 633 315	-	1 633 315
<b>Total</b>	<b>2 008 710</b>	<b>(298 104)</b>	<b>1 710 606</b>	<b>2 008 710</b>	<b>(269 945)</b>	<b>1 738 765</b>

### Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	105 450	(28 159)	77 291
Servitudes	1 633 315	-	1 633 315
	<b>1 738 765</b>	<b>(28 159)</b>	<b>1 710 606</b>

### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	221 875	7 039	(123 464)	105 450
Servitudes	1 633 315	-	-	1 633 315
	<b>1 855 190</b>	<b>7 039</b>	<b>(123 464)</b>	<b>1 738 765</b>

# Westonaria Local Municipality

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### 12. Payables from exchange transactions

Trade payables	54 811 650	25 581 746
Eskom arrangement (long outstanding debt)	-	46 538 308
Unallocated deposit	351 830	5 359 899
Accrued expense (other)	-	34 880
Accrued expense (invoices not paid)	23 479 711	27 212 881
Salary creditors	6 528 968	3 582
Receivables with credit balances	3 240 356	2 885 463
Retention liability	8 098 539	9 112 333
Other deposits	30 525	24 167
Operating lease liability	213 292	1 177 843
	<u>96 754 871</u>	<u>117 931 102</u>

### 13. Deferred income

Deferred income relates to an estimate of prepaid electricity sold during June 2016, but unused as at 30 June 2016.

Deferred income	<u>523 455</u>	<u>284 533</u>
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### 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Integrated National Electrification Programme Grant	<u>5 788 914</u>	<u>-</u>
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See note 26 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

### 15. VAT payable

Tax refunds payables	<u>18 532 574</u>	<u>6 191 662</u>
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### 16. Consumer deposits

Electricity and water	<u>3 508 716</u>	<u>3 084 107</u>
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Guarantees	<u>240 000</u>	<u>240 000</u>
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Guarantees held in lieu of electricity and water deposits are not backed up by cash and are included in the consumer deposit register.

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

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### 17. Provisions

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Interest	Transferred to payables	Total
Performance bonus	843 415	677 146	-	-	1 520 561
Service bonus	2 409 056	18 791	-	-	2 427 847
Legal proceedings	4 750 000	-	1 071 092	-	5 821 092
Workmens compensation	3 257 242	-	-	(3 257 242)	-
Rehabilitation of landfill site	44 914 833	14 303 986	2 865 836	-	62 084 655
Leave pay	5 692 971	1 237 351	-	-	6 930 322
	<b>61 867 517</b>	<b>16 237 274</b>	<b>3 936 928</b>	<b>(3 257 242)</b>	<b>78 784 477</b>

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Interest	Total
Performance bonus	724 207	119 208	-	-	843 415
Service bonus	2 048 698	360 358	-	-	2 409 056
Legal proceedings	4 750 000	-	-	-	4 750 000
Workmens Compensation	2 314 834	942 408	-	-	3 257 242
Rehabilitation of landfill site	42 003 226	2 022 264	-	889 343	44 914 833
Leave pay	6 383 566	-	(690 595)	-	5 692 971
	<b>58 224 531</b>	<b>3 444 238</b>	<b>(690 595)</b>	<b>889 343</b>	<b>61 867 517</b>

Non-current liabilities	62 084 655	44 914 833
Current liabilities	16 699 822	16 952 684
	<b>78 784 477</b>	<b>61 867 517</b>

#### Environmental rehabilitation provision

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 8.4564% over an average period of 10 years.

#### Details of valuation

The valuation was performed by Seakle Godschalk who is a professional environmental scientist from CSS Environment and sustainability solutions CC, who holds a qualification in Master's degree in Science and Masters degree in Accounting. Seakle Godschalk is an independent valuer and is registered with South African Council for Natural Scientific Professions as well as with the South African Institute of Ecologists and Environmental Scientists.

Date of valuation 31 October 2016.

#### Performance bonus provision

The calculated provision for performance bonus was done using a rate of 14% of the total package. The provision for performance bonus is categorised as a provision based on the fact that the performance bonus will only be paid once an employee has met a performance condition. Therefore it is uncertain whether all the employees who are qualifying for a performance bonus will meet the performance bonus. In addition the bonus has to be approved by the Council. Only section 56 employees receive performance bonuses.

#### Service bonus provision

The calculated provision for service bonus were based on a thirteenth cheque which is monthly pro-rated according to the bonus months. The provision for service bonus is categorised as a provision due to the fact that it is uncertain whether the employee will still be in employment of the municipality during the month when the employee will be entitled to the bonus. If the employee leaves the employ of the municipality before the month in which she/ he will be entitled to a bonus, a portion of the bonus will not be paid. All permanent employees receive service bonus (13th cheque).

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

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### 17. Provisions (continued)

#### Provision for leave pay

Provision for leave pay is calculated in terms of the main collective agreement based on outstanding number of leave days. Any leave days in excess of forty eight (48) days is forfeited.

#### Legal proceedings

Legal provision represents an amounts litigated by Quill and Associates against the municipality as at 30 June 2016. This case resolves around licencing agreement on BIQ system that was previously used by the municipality.

### 18. Employee benefit obligations (Defined contribution plan)

There are six (6) retirement funds into which Councillors and employees contribute. The municipality is not liable for any short fall arising from pension funds contributions. Further detail of retirement funds and medical aid plans are provided below:

#### Municipal Employees Pension Fund

The contribution rate payable is 7,5% by the members and on average 15% by Council. The last Actuarial valuation on this fund was performed in February 2011 certified that the fund is in a sound financial state. The total assets amounts to R 7,544,211,000 (28 February 2008: R 5,715,557,000) and liabilities to R 6,991,439,000 (28 February 2008: R 4,900,548,000) with a total of 17,110 members (28 February 2008: 14,610 members).

The most recently actuarial available valuation was done at 28/02/2009. The funding level of the fund is at 102.2% The basis key assumptions are as follow: Gross discount rate 11.1%; Salary inflation 7,4%; Net post-retirement discount rate 4.4%. The current surplus is relatively small and is not expected to have any impact on the required employer discount rate. The total in-service membership of the MEPF was 15.978 as at 28/02/2009.

#### Joint Municipality Pension Fund

The average contribution rate payable is 7,08% by the members and on average 10.05 % by Council. The last Actuarial valuation on this fund was performed in 31 March 2013 certified that the fund is in a sound financial state. The total assets amounts to R 1,651,394,000 (31 March 2012: R 1,288,291,000) and liabilities to R 1,463,574,000 (31 March 2012: R 1,157,898,000) with a total of 10,579 members (31 March 2013: 9,942 members)

#### SALA Pension Fund

The contribution rate payable is 8.6% by the members and 20.78% by Council. The total assets amounts to on 30 November 2015 amounts to R 13 987 951 991 (30 November 2014 : R 13 017 483 604,92).

#### Defined Contribution (DC) Multi-Employers Pension scheme

**Municipal Gratuity Fund:** The defined benefit scheme is a multi-employer plan and the contribution rate payable is a minimum of 7.5% by the members and 22% by Council. The last valuation performed for the year ended 30 June 2013 revealed that the fund had assets of R 14,565,277,000 and in a sound financial state as at 30 June 2015.

**National Fund for Municipal workers:** The above mentioned fund is a defined contribution Fund and according to Regulation 2 of the Pension Funds Act no 24 of 1956 exempt from the provisions of sections 9A and 16 of the Act. As at 30 June 2011 the results state that the way the benefits are structured in the rules, the fund is limited to an amount equal to the accumulation of all the contributions plus investment returns less administration costs. The NFMW Retirement Fund does not have any reserve accounts or surpluses which could be allocated to members Fund. The total assets amounts to R 10 262 259 213 as at 30 June 2015 (June 2014: R 9 198 065 912).

# Westonaria Local Municipality

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### 19. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Post retirement medical benefits	(90 117 000)	(77 174 000)
Long service awards	(11 022 000)	(12 730 000)
	<b>(101 139 000)</b>	<b>(89 904 000)</b>
Non-current liabilities	(98 758 853)	(87 836 075)
Current liabilities	(2 380 147)	(2 067 925)
	<b>(101 139 000)</b>	<b>(89 904 000)</b>

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	2 995 000	-
Benefits paid	(2 380 147)	(2 067 925)
Net expense recognised in the statement of financial performance	13 615 147	5 062 925
	<b>14 230 000</b>	<b>2 995 000</b>

Net expense recognised in the statement of financial performance

Current service cost	5 844 000	5 435 000
Interest cost	8 377 000	7 800 000
Actuarial gains	(605 853)	(8 172 075)
	<b>13 615 147</b>	<b>5 062 925</b>

Calculation of actuarial gains and losses

Actuarial gains	(605 853)	(8 172 075)
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The effect of a 1% p.a. change in the medical aid inflation assumption has been tested. The effect is as follows:

Medical aid inflation	-1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
Total accrued liability	76 414 000	90 117 000	107 237 000
Interest cost	7 722 000	9 134 000	10 901 000
Service cost	4 251 000	5 281 000	6 616 000
	<b>88 387 000</b>	<b>104 532 000</b>	<b>124 754 000</b>

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

Normal salary inflation	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total accrued liability	10 334 000	11 022 000	11 781 000
Interest cost	950 000	1 035 000	1 130 000
Service cost	1 001 000	1 074 000	1 154 000
	<b>12 285 000</b>	<b>13 131 000</b>	<b>14 065 000</b>

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

The major categories of plan assets as a percentage of total plan assets are as follows:

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### 19. Employee benefit obligations (continued)

#### Changes in the fair value of plan assets are as follows:

The municipality expects to contribute R - to its defined benefit plans in the following financial year.

#### Key assumptions used

Assumptions used at the reporting date:

**Discount rate:** Based on the yield curve of Government Bonds. The value of the discount rate varies between 6.74% and 9.87%, depending on the term of the bond. The cash flows of a specific point in time is discounted using the bond rates of the corresponding term.

**Basis of the discount rate:** yield curve based on Government bonds.

**CPI:** difference between the bond curve and the real curve

**Average retirement age:** 63 years

**Average salary increase:** inflation +1%

**Mortality rates:** Based on the SA 85 - 90 mortality tables

Promotional salary increases was based on a band between 0% and 5%, depending on the age of employee

Withdrawal rates are based on withdrawal rates between 0% and 16% for males and 0% and 24% for females

The plans are wholly unfunded

#### Actual returns

#### Details of valuation

The valuation was performed by Niel Fourie from ZAQEN Actuaries (Pty) Ltd who is qualified as per APN301 to sign off the GRAP 25 valuation and has 8 years experience. Niel Fourie is an independent valuer and is registered with Actuarial Society of South Africa.

### 20. Long term loans

#### At amortised cost

Annuity loans	2 563 032	5 078 141
Enterprise loan	4 677 182	7 641 197
Fixed rate enterprise loan, from Standard bank at an interest rate of 9.85% that commenced 31 December 2012.		

**7 240 214**

**12 719 338**

#### Total long term loans

**7 240 214**

**12 719 338**

#### Non-current liabilities

At amortised cost	2 343 400	7 308 499
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#### Current liabilities

At amortised cost	4 896 814	5 410 839
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### 21. Service charges

Sale of electricity	100 061 028	87 796 342
Sale of water	145 290 618	140 328 389
Sewerage and sanitation charges	32 753 949	25 657 746
Refuse removal	18 240 288	16 308 343
	<b>296 345 883</b>	<b>270 090 820</b>

# Westonaria Local Municipality

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### 22. Fees earned

#### Fees

Cemetery fees	168 248	159 065
Electricity: connection fees	-	137
Electricity: reconnection fees	947 359	189 824
Gymnasium joining fee	22 491	4 982
Gymnasium fee income	45 899	3 123
	<u>1 183 997</u>	<u>357 131</u>

### 23. Other income

Income from other sources	4 909 922	4 890 553
Property sales	219 756	285 638
Sundry income	2 112 296	950 985
	<u>7 241 974</u>	<u>6 127 176</u>

### 24. Interest on investments

#### Interest revenue

Investments	<u>1 669 149</u>	<u>1 539 451</u>
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### 25. Property rates

#### Rates and taxes

Residential, commercial, industrial, municipal and rural land	<u>265 548 816</u>	<u>265 311 461</u>
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# Westonaria Local Municipality

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### 26. Government grants and subsidies

#### Operating grants

Equitable share	123 323 000	113 718 000
Expanded Public Works Programme Grant	2 024 000	2 731 000
Infrastructure Skills Development Grant	3 000 000	4 724 938
Finance Management Grant	1 450 000	1 450 000
Municipal Systems Improvement Grant	930 000	934 000
DAC funding and equitable share: Libraries	6 120 000	3 864 061
Provincial health subsidy	939 820	1 546 171
Municipal Infrastructure Grant	1 672 370	2 567 000
	<u>139 459 190</u>	<u>131 535 170</u>

#### Capital grants

Municipal Infrastructure Grant	44 698 630	62 113 000
Integrated National Electrification Programme Grant	2 211 086	7 000 000
	<u>46 909 716</u>	<u>69 113 000</u>
	<u><b>186 368 906</b></u>	<u><b>200 648 170</b></u>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a subsidy of 6 kilolitre (kl) water, 50 kwh of electricity, basic sewer, refuse and property rates which is funded by the grant.

#### Expanded Public Works Programme Grant

Current-year receipts	2 024 000	2 731 000
Conditions met - transferred to revenue	(2 024 000)	(2 731 000)
	<u>-</u>	<u>-</u>

#### Infrastructure Skills Development Grant

Balance unspent at beginning of year	-	2 724 938
Current-year receipts	3 000 000	2 000 000
Conditions met - transferred to revenue	(3 000 000)	(4 724 938)
	<u>-</u>	<u>-</u>

#### Finance Management Grant

Current-year receipts	1 450 000	1 450 000
Conditions met - transferred to revenue	(1 450 000)	(1 450 000)
	<u>-</u>	<u>-</u>

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA.

#### Municipal Systems Improvement Grant

Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
	<u>-</u>	<u>-</u>

This grant was used to build in-house capacity to perform their functions and stabilise institutional and government systems. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.



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### 26. Government grants and subsidies (continued)

#### DAC Funding and Equitable share share (Libraries)

Current-year receipts	6 120 000	3 864 000
Conditions met - transferred to revenue	(6 120 000)	(3 864 000)
	<u>-</u>	<u>-</u>

#### Provincial health subsidy

Balance unspent at beginning of year	-	653 521
Current-year receipts	939 820	892 650
Conditions met - transferred to revenue	(939 820)	(1 546 171)
	<u>-</u>	<u>-</u>

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	-	13 338 000
Current-year receipts	46 371 000	51 342 000
Conditions met - transferred to revenue (Capital)	(44 698 630)	(62 113 000)
Conditions met - transferred to revenue (Operational)	(1 672 370)	(2 567 000)
	<u>-</u>	<u>-</u>

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of poor households..

#### Integrated National Electrification Programme Grant

Current-year receipts	8 000 000	7 000 000
Conditions met - transferred to revenue	(2 211 086)	(7 000 000)
	<u>5 788 914</u>	<u>-</u>

The condition of this grant has not been met; this will remain a liability (see note 14).

This grant was received from Department of Energy to finance the electrification of Borwa project housing.

### 27. Public contributions and donations

Gauteng Province	2 995 978	239 011
Other contributions	-	7 000
Mines social contribution	1 181 898	-
Performance management system	-	500 000
Water pipe line Danny Dali	4 670 203	-
Computers received from GPDSACR	-	49 516
Roads and stormwater- Rubble trap	-	7 531 011
Library books	31 380	-
	<u>8 879 459</u>	<u>8 326 538</u>

The above contributions were received from Department of Cooperative Governance and Traditional Affairs (CoGTA) to assist the municipality with its operations.

### 28. Fines

#### Fines includes the following:

Manual Traffic fines	4 965 050	1 548 350
Library fines	1 687	1 743
Camera speed fines	-	1 327 050
	<u>4 966 737</u>	<u>2 877 143</u>

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### 29. Employee related costs

Basic	89 821 370	78 522 220
Bonus	5 853 896	5 407 287
Medical aid - company contributions	10 810 564	9 021 988
UIF	811 234	716 651
SDL	1 184 213	990 089
Other payroll levies	54 364	48 554
Leave pay provision charge	1 237 350	(690 595)
Standby allowance	1 171 712	959 682
Bonus accrual	695 936	479 567
Defined contribution plans	14 389 872	13 069 181
Travel, motor car, accommodation, subsistence and other allowances	7 120 308	6 289 099
Overtime payments	5 066 106	3 979 476
Long-service awards	2 043 090	1 668 587
Acting allowances	1 230 723	533 545
Housing benefits and allowances	1 530 873	685 976
Medical aid- on going members	1 040 981	1 187 181
Group life	1 200 406	1 131 003
Uniforms and overalls	149 775	64 476
Telephone allowance	419 251	318 391
Defined benefit plan: Benefits paid	(2 380 147)	(2 067 925)
Defined benefit plan: Current service cost	5 844 000	5 435 000
	<b>149 295 877</b>	<b>127 749 433</b>

### Remuneration of Municipal Manager (Mr TC Ndlovu)

Annual Remuneration	1 275 238	1 273 788
Car Allowance	153 000	72 000
Bonuses	104 579	106 149
Contributions to UIF, Medical and Pension Funds	1 785	1 785
SDL	15 032	14 375
SALGA	87	81
	<b>1 549 721</b>	<b>1 468 178</b>

### Remuneration of Chief Finance Officer (Mr VB Mkhafa)

Annual Remuneration	839 235	722 075
Car Allowance	204 000	204 000
Bonuses	67 665	57 278
Contributions to UIF, Medical and Pension Funds	2 175	1 785
SALGA	87	81
SDL	10 701	9 426
	<b>1 123 863</b>	<b>994 645</b>

Chief financial officer was appointed on 02 December 2013.

### Remuneration of Acting Executive Manager: Corporate (Mr M Lerata)

Annual Remuneration	-	741 976
Car Allowance	-	110 000
Contributions to UIF, Medical and Pension Funds	-	69 212
SDL	2 529	8 098
SALGA	-	432
Other (Acting Allowance)	252 911	-
	<b>255 440</b>	<b>929 718</b>

The Executive manager: Corporate resigned on 31 May 2015. Acting Executive Manager Corporate services was appointed and remunerated with the disclosed amount of R 255 440

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### 29. Employee related costs (continued)

#### Remuneration of Executive Manager Community Services (Mrs T Morolo)

Annual Remuneration	715 555	595 002
Car Allowance	183 000	156 000
Contributions to UIF, Medical and Pension Funds	198 672	168 347
SDL	8 477	7 111
SALGA	87	471
	<b>1 105 791</b>	<b>926 931</b>

#### Remuneration of Executive Manager Infrastructure (Mr M Machaba)

Annual Remuneration	867 819	725 527
Car Allowance	217 690	237 480
Contributions to UIF, Medical and Pension Funds	2 142	1 785
Telephone allowance	11 000	12 000
SDL	10 530	9 275
SALGA	80	471
	<b>1 109 261</b>	<b>986 538</b>

Executive Manager: Infrastructure resigned on the 31 May 2016.

#### Employee related cost (including section 56 managers)

154 439 953

133 055 443

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### 30. Remuneration of councillors

Councillors allowance	11 327 282		11 853 011	
	Annual remuneration	Accommodation, subsistence, travel and other allowances	Contributions to medical and pension funds	Total
Cllr S. Monoane (Speaker)	410 640	181 872	66 653	659 165
Cllr N. Tundzi (Executive Mayor)	468 972	227 772	121 154	817 898
Cllr A. Gela (MMC Health and Social Development)	384 984	172 032	62 496	619 512
Cllr G. Khoza sec80	154 728	83 772	25 231	263 731
Cllr N. Khenene (MMC Human settlements)	384 984	172 032	62 496	619 512
Cllr T.A Mncube (MMC Public Safety)	384 984	172 032	62 496	619 512
Cllr N R Mkhumbuzi (MMC Infrastructure)	384 984	172 032	62 496	619 512
Cllr A. Ntshiba (MMC Finance)	384 984	172 578	62 504	620 066
Cllr Segwetshe (MMC Corporate)	384 984	172 032	62 479	619 495
Cllr N Baza	154 728	83 772	25 189	263 689
Cllr PHC De Jager	154 728	83 772	25 189	263 689
Cllr N Dyase	198 564	100 572	32 290	331 426
Cllr M Jokazi	154 728	83 772	25 189	263 689
Cllr N Kolo	154 728	83 772	25 189	263 689
Cllr JS Letlhake	154 728	83 772	25 189	263 689
Cllr V Lwabi	154 728	83 772	25 192	263 692
Cllr DL Mampe	154 728	83 772	25 189	263 689
Cllr I Merabe	154 728	83 772	25 189	263 689
Cllr M Mgamntwini	154 728	83 772	25 189	263 689
Cllr PM Mkhungekwana	154 728	83 772	25 189	263 689
Cllr T Mngomezulu	154 728	83 772	25 189	263 689
Cllr MM Mthimkhulu	154 728	83 772	25 189	263 689
Cllr E Molatlhwa	154 728	83 772	25 189	263 689
Cllr DS Molebatsi	154 728	83 772	25 189	263 689
Cllr K Ncele	154 728	83 772	25 189	263 689
Cllr T Nkwatani	154 728	83 772	25 189	263 689
Cllr ND Ndzipho	154 728	83 772	25 189	263 689
Cllr CM Seitheiso	154 728	83 772	25 189	263 689
Cllr A Sityebi	154 728	83 772	25 189	263 689
Cllr CD Turner	206 292	24 468	32 910	263 670
Cllr M Van Graan	154 728	83 772	25 189	263 689
	<b>6 843 660</b>	<b>3 326 634</b>	<b>1 156 988</b>	<b>11 327 282</b>

### In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the council.

The Executive Mayor and the Speaker has use of a council owned vehicle for official duties and has two full-time bodyguards. The Executive mayor is also provided with official residence.

The Speaker has the use of a council owned vehicle and body guards.

The councillors are provided with laptop computers and data modems.

### 31. Depreciation and amortisation

Property, plant and equipment	64 585 617	65 269 395
Intangible assets	28 159	123 464
	<b>64 613 776</b>	<b>65 392 859</b>

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### 32. Impairment of assets

#### Impairments

Property, plant and equipment	18 351 857	1 130 156
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### 33. Finance costs

Interest on arrear accounts	4 788 367	8 988 198
Interest on external borrowings	1 112 289	1 839 511
	<b>5 900 656</b>	<b>10 827 709</b>

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 5 900 656 (2015: R 10 827 709).

### 34. Debt impairment

Contributions to allowance for impairment: receivables (Consumers and Sundry)	207 872 297	228 672 389
Contributions to allowance for impairment: fines	-	5 755 195
	<b>207 872 297</b>	<b>234 427 584</b>

Contributions to allowance for impairment relate to impairment on receivables amounting to R 207 872 287 (2015: R 237 343 877).

### 35. Bulk purchases

Electricity	84 027 040	75 328 473
Water	127 664 370	108 819 136
	<b>211 691 410</b>	<b>184 147 609</b>

### 36. Contracted services

Operating leases	4 872 213	5 280 527
Specialist services	20 755 604	16 211 589
	<b>25 627 817</b>	<b>21 492 116</b>

Contracted services (specialist services) includes internal audit, repairs and maintenance, security and debtors collection services.

### 37. Write-offs

#### Write offs consists of the following:

Property, plant and equipment	8 242 449	1 161 079
PAD accounts	-	299 370
Debt write off	48 971 232	-
Write off stock	61 557	-
Indigent write offs	12 328 977	36 029 223
	<b>69 604 215</b>	<b>37 489 672</b>

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<b>38. General expenses</b>		
Advertising	349 544	267 760
WRDM Expense	1 500 000	-
Auditors remuneration	4 416 005	5 912 302
Bank charges	236 583	310 503
Billing charges	988 767	990 877
Chemicals	7 004	2 432
Commission paid	195 765	337 861
Communication and publication	314 313	322 781
Conferences and seminars	17 825	20 455
Consulting and professional fees	1 699 553	5 100 792
Consumables	600 725	902 987
Discount allowed	2 810	3 875 219
Donations	8 195	17 632
Entertainment	343 283	424 231
Fertilizer	6 025	15 082
Fuel and oil	1 541 600	1 410 416
Hire of equipment	-	531 972
IT expenses	404 633	(285 194)
Insurance	921 953	591 166
Magazines, books and periodicals	143 532	214 355
Motor vehicle expenses	482 698	382 256
OHS wellness programme	1 071 054	1 225 793
Other expenses	2 588 071	5 051 456
Postage and courier	613 471	523 939
Printing and stationery	1 225 841	1 142 037
Promotion of town	6 463	166 629
Public participation and other programmes	1 152 736	779 580
Refuse	877	659 041
Software expenses	2 286 748	2 874 280
Sports development	354 325	149 647
Subscriptions and membership fees	1 555 940	2 921 709
Telephone and fax	2 349 927	2 227 851
Third party expenses	1 092 428	812 567
Tools and equipment	17 438	7 271
Training	1 127 861	1 667 185
Travel - local	507 764	361 296
Water research levy	885 248	816 577
	<b>31 017 005</b>	<b>42 732 743</b>

# Westonaria Local Municipality

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<b>39. Cash generated from operations</b>		
(Deficit) surplus	(27 299 903)	8 680 963
<b>Adjustments for:</b>		
Depreciation and amortisation	64 613 776	65 392 859
Gain on foreign exchange	-	(4 077 015)
Actuarial gains	(605 853)	(8 172 075)
Fair value adjustments	(17 083 114)	(3 966 500)
Public contributions and donations	(31 379)	(7 580 527)
Impairment deficit	18 351 857	1 130 156
Debt impairment	207 872 297	234 427 584
Movements in retirement benefit assets and liabilities	11 235 000	2 995 000
Movements in provisions	16 916 960	3 642 986
Write-offs	69 604 215	55 664 354
Interest cost	-	8 955 069
Impairment loss reversal	(158 623)	-
<b>Changes in working capital:</b>		
Inventories	(258 641)	65 004
Other receivables from exchange transactions	(640 084)	2 103 934
Trade receivables from exchange transactions	(280 864 036)	(281 836 468)
Other receivables from non-exchange transactions	268 480	4 803 057
Trade receivables from non-exchange transactions	-	12 433 076
Payables from exchange transactions	(21 176 239)	(11 744 148)
VAT	12 340 912	3 683 625
Unspent conditional grants and receipts	5 788 914	(16 716 459)
Consumer deposits	424 609	530 492
	<b>59 299 148</b>	<b>70 414 967</b>

## 40. Commitments

### Authorised capital expenditure

#### Already contracted for but not provided for

• Property, plant and equipment	17 471 389	1 648 152
• Investment property	-	8 105 143
• Operating expenditure	231 948	-
	<b>17 703 337</b>	<b>9 753 295</b>

#### Total commitments

Already contracted for but not provided for	<b>17 703 337</b>	<b>9 753 295</b>
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This committed expenditure relates to plant and equipment and will be financed by by grants and own revenue.

### Operating leases - as lessee (expense)

#### Minimum lease payments due

- within one year	1 962 605	3 496 798
- in second to fifth year inclusive	-	1 529 267
	<b>1 962 605</b>	<b>5 026 065</b>

Operating lease payments represent rentals payable by the municipality for certain of its office equipment and vehicles. Leases are negotiated for a period between one and five years. No contingent rent is payable.

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### 41. Contingencies

#### 1) Otilian Carlos Timane vs Westonaria local municipality

Otilian Carlos Timane instituted a claim against Westonaria local municipality due to the reason that the claimant fell into an open manhole on the sidewalk and sustained injuries. The claimant alleged that the municipality was negligent in that it failed to take precautionary measures by not alerting pedestrians of the danger.

An amount of R250,000 plus interest of 15.5% per annum, is being claimed for bodily injury and loss of income.

#### 2) Westonaria Local Municipality vs IMATU o.b.o M M Ntholeng : Review Application.

An employee of the municipality, Mr M Ntholeng, was dismissed after being charged and found guilty at the disciplinary hearing of gross negligence and deliberate collusion, abuse and reckless use of municipal fuel cards. He took the matter to the SALGBC and was re-instated in the accordance with the abritration award.

The award of the Commissioner at the SALGBC was as follows :

- (a) The dismissal of the applicant is hereby held to be procedurally and substantively unfair
- (b) That the applicant be and is hereby re-instated from the date of dismissal with no loss of benefits to the position he held immediately prior to his dismissal.
- (c) The responded is hereby ordered to pay the applicant his outstanding salary from the 18th September 2014 which shall not be less than R 240 000
- (d) The respondent is hereby ordered to pay the cost of the Abitration.

As the employer was of the opinion that the Commissioner had unduly interfered in the matter, The amount set above was not paid pending the outcome of the review application and will have to be paid if the application is unsuccessful.

### 42. Related parties

#### Relationships

Accounting Officer

Refer to accounting officer's report note

Members of key management

Mayor

N. Tundzi

Speaker

S. Monoane

Members of the Mayoral committee

T.A Ncube

G. Khoza

A. Gela

A. Ntshiba

M. Mkhumbuzi

Municipal Manager

T.C. Ndlovu

Chief Financial Officer

V.B. Mkhefa

Executive Manager: Community Service

T. Morolo

Acting Executive Manager: Corporate Service

M. Lerata

Executive Manager: Infrastructure Service

M. Machaba

Mayor, Speaker, Members of Mayoral committee and section 56 employees are related parties and have declared in writing that they have no contracts or interests in contracts with the municipality. Details are disclosed in note 29 and 30.

### 43. Prior period errors

The following balances were corrected and restated as prior period error:

**Investment Property:** The municipality have verified the investment register to the deeds information and five properties were found to be omitted in the register. The register was updated by R12 303 835 based on the values as per valuation roll. The municipality also removed all properties that are still in the name of the municipality but the assets were actually sold by council and the transfer process is not finalised. The total value of the properties removed is R16 906 894.

**Provisions :** The balance for provisions was restated due to the additional provision made for outstanding assessments on the workman compensation, provision for rehabilitation of the landfill site and the provision for the award made to Quill and Associates on the bridge of software license agreement.



# Westonaria Local Municipality

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### 43. Prior period errors (continued)

**Trade receivables from exchange transactions :** The current financial year was restated due to adjustment made to the debt impairment calculation. The previous year balance included the discounting of debtors which was removed in the current financial year. The debt impairment calculation was also adjusted in the prior period.

**Investment Property:** The municipality have verified the investment register to the deeds information and five properties were found to be omitted in the register. The register was updated by R12 303 835 based on the values as per valuation roll. The municipality also removed all properties that are still in the name of the municipality but the assets were actually sold by council and the transfer process is not finalised. The total value of the properties removed is R16 906 894.

**Property, plant and equipment:** The balance for property plant and equipment was restated as per reported figures for 2015. Based on the audit findings in the previous years the municipality have reviewed the assets register and verified all the assets. Adjustments were made in the asset register to account for the movement as a result of the verification test and the revaluation of the assets. The 2015 values were restated by R2 219 445.

**Work-in-progress :** The balance for work in progress were restated in 2016 for the reported figures of 2015. The 2015 working in progress balance was understated by R5 512 514.50 and the opening balance was corrected accordingly. During the capitalisation of the work in progress it was identified that some of the cost incurred on electricity meters for R8 863 920.31 was not capital in nature but should be expensed in the 2015 financial year.

**Intangible Assets:** The municipality have identified an error in the 2015 financial statement that the figure as reported in the previous financial year as compared to the intangible asset register was understated by R645. The balance was corrected in the 2016 financial year..

**Provisions:** The balance for provisions was restated due to the additional provision made for outstanding assessments on the workman compensation and the provision for the award made to Quill and Associates on the bridge of software license agreement. Provision were adjusted by R8 007 242.

**Trade and Other Payables:** Trade and other payables was restated due to a correction to Operating Lease liability and correct allocation of the Quill and associate court case provision.

**Fair value adjustment:** The adjustment made to the 2015 investment property register due to additions on properties and the removal of other properties, the fair value adjustment figure as reported in the previous annual financial statement was restated. Decreased fair value adjustment by R3 513 000.

**Other Income :** The proceeds from the sale of assets was reclassified as other income. Increased other income by R3 838 003.

**Public Contributions and Donations:** The donations received from the American Embassy was wrongly classified as other income. The income was adjusted and correctly classified by R239 011.

**Employee Related and Remuneration of councillors:** The expenses relating to remuneration of councillors was incorrectly disclosed as employee related cost of R1 129 213.

**Debt Impairment:** The calculation for debt impairment was incorrectly calculated in the 2014/2015 financial year due to discounting on debtors. The expense relating to discounting of debtors was also wrongly classified under impairment loss for R4 579 591. The debt impairment cost was recalculated in the current financial year and the total increase in the Debt Impairment Allowance for 2015 is R234 427 584.

**Repairs and Maintenance:** The expense relating to repairs and maintenance were wrongly classified as general expenses: R309 790. During the capitalisation of the work in progress it was identified that some of the cost incurred on electricity meters for R8 863 920.31 was not capital in nature but should be expensed in the 2015 financial year.

**Irregular Expenditure** was restated from R 52 196 924 to R 117 672 566. The amendments were made to account for expenditure identified as irregular during the course of the 2014/2015 audit process.

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### 43. Prior period errors (continued)

#### Statement of Financial Position

	Balance as previously reported	Prior period errors	Restated balance
Trade and other receivables from exchange transactions	52 588 630	(33 792 129)	18 796 501
Trade and other receivables from non exchange transactions	20 930 218	(5 621 284)	15 308 934
Investment property	101 822 886	(4 218 062)	97 604 824
Property, plant and equipment	1 239 976 902	2 219 445	1 242 196 347
Work-in-progress	63 548 445	(14 376 434)	49 172 011
Intangible assets	1 738 120	645	1 738 765
Payables from exchange transactions	(120 522 720)	2 591 618	(117 931 102)
Provisions	(8 945 442)	(8 007 242)	(16 952 684)
Opening accumulated surplus	(1 154 430 610)	27 433 542	(1 126 997 068)
	<b>196 706 429</b>	<b>(33 769 901)</b>	<b>162 936 528</b>

#### Statement of Financial Performance

	Balance as previously reported	Prior period errors	Reclassification	Restated balance
Other income	(2 289 173)	-	(3 838 003)	(6 127 176)
Public contributions and donations	(8 087 527)	-	(239 011)	(8 326 538)
Employee related costs	134 184 656	-	(1 129 213)	133 055 443
Remuneration of councilors	10 723 798	-	1 129 213	11 853 011
Impairment loss	5 709 747	-	(4 579 591)	1 130 156
Debt impairment	190 434 579	39 413 414	4 579 591	234 427 584
Repairs and maintenance	5 329 013	9 018 162	309 790	14 656 965
Write offs	55 664 354	(18 174 682)	-	37 489 672
General expenses	43 042 534	-	(309 791)	42 732 743
Gain/Loss on disposal of assets	(4 077 015)	-	4 077 015	-
Fair value adjustment	(7 479 500)	3 513 000	-	(3 966 500)
	<b>423 155 466</b>	<b>33 769 894</b>	<b>-</b>	<b>456 925 360</b>

#### Irregular expenditure

	Irregular expenditure as previously reported	Prior period error	Restated* balance
Opening Balance	52 196 924	-	52 196 924
Non-Compliance with Section 62 of MFMA	-	12 341 089	12 341 089
Non-Compliance with section 13 SCM Regulations	-	189 962	189 962
Non-Compliance with Section 116 of MFMA	1 114 856	-	1 114 856
Non-Compliance with Section 16 SCM Regulations	23 788	-	23 788
Non-Compliance with section 18 SCM Regulations	269 573	363 217	632 790
Non-Compliance with section 19 SCM Regulations	13 787 415	-	13 787 415
Non-Compliance with section 28 SCM Regulations	314 147	-	314 147
Non-Compliance with section 32 SCM Regulations	210 000	10 001 981	10 211 981
Non-Compliance with section 5 of PPPFA	96 815	-	96 815
Non-Compliance with section 29 SCM Regulations	-	24 130 397	24 130 397
Non-Compliance with section 10(2) of PPPFA	55 000	2 510 241	2 565 241
Non-Compliance with section 5(1) of MSA	-	187 764	187 764
	<b>68 068 518</b>	<b>49 724 651</b>	<b>117 793 169</b>

### 44. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

# Westonaria Local Municipality

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### 44. Risk management (continued)

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

### 45. Going concern

The audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Based on the ruling of the demarcation board, Westonaria Local Municipality and Randfontein Local Municipality merged to form Rand West City Local Municipality effective 03 August 2016.

In terms of this, Rand West City Local Municipality becomes the successor in law to both the Westonaria Local Municipality and Randfontein Local Municipality.

All assets and liabilities of Westonaria Local Municipality and Randfontein Local Municipality will transfer to Rand West City Local Municipality.

### 46. Unauthorised expenditure

Public safety	4 742 493	5 575 228
Budget and treasury	246 983 893	268 398 559
Housing	31 895	36 951
Health	-	431 468
Sports and recreation	228 325	-
Electricity	12 709 749	-
Waste management	3 861 397	4 411 090
	<b>268 557 752</b>	<b>278 853 296</b>

The unauthorised expenditure for 2015/2016 is R268 557 752. The unauthorised expenditure is mostly influenced by non cash expenditure relating to debt impairment and write off of long outstanding debtors. The non payment of property rates by mines due to their objection have raised the debt impairment portion and council did not budget for this expenditure. The unauthorised expenditure will be tabled to council for investigation and approval.

### 47. Fruitless and wasteful expenditure

Eskom	2 941 586	8 298 807
Eskom small accounts	4 901	2 351
Rand water	243 708	31 065
Telkom	42 271	32 457
Auditor General	95 492	18 994
Interest on Acc Quil Associate	1 071 092	-
Interest on workmans compensation	244 650	-
	<b>4 643 700</b>	<b>8 383 674</b>

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### 47. Fruitless and wasteful expenditure (continued)

Fruitless and wasteful regarding interest paid relates to interest charged by Eskom on the late settlement of the monthly Eskom accounts. Due to cash flow constraints the municipality was unable to settle the Eskom accounts timeously and as a result Eskom charged the municipality interest at a rate of 15% on arrear accounts. Other fruitless and wasteful expenditure relates to interest incurred due to late payments.

### 48. Irregular expenditure

Opening balance	117 793 169	52 196 924
Non-Compliance with Section 62 of MFMA	-	12 341 089
Non-Compliance with section 13 SCM Regulations	-	189 962
Non-Compliance with Section 116 of MFMA	2 228 212	1 114 856
Non-Compliance with Section 16 SCM Regulations	-	23 788
Non-Compliance with sec 18 SCM Regulation	-	632 790
Non-Compliance with sec 19 SCM Regulation)	-	13 787 415
Non-Compliance with sec 28 SCM Regulation	-	314 147
Non-Compliance with sec 32 SCM Regulation	-	10 211 981
Non-Compliance with section 5 of PPPFA	-	96 815
Non-Compliance with section 29 SCM Regulations	11 116 137	24 130 397
Non-Compliance with sec 10(2) PPPFM.A Regulation	-	2 565 241
Non-Compliance with section 5(1) of MSA	-	187 764
Non-Compliance with sec 36 SCM Regulation	3 921 884	-
Less: Amounts written off	(49 781 168)	-
	<b>85 278 234</b>	<b>117 793 169</b>

Amounts of R 21 058 356 for 2013/2014 and R 28 722 811 for 2014/2015 were written off by Council on the 27th of July 2016. A total of R 49 724 651 was previously not included in prior year. Refer to note 43 for prior year adjustments.

# Westonaria Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand

2016

2015  
Restated\*

### 49. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government (SALGA)

Current year subscription / fee	1 597 545	2 921 709
Amount paid - current year	(1 597 545)	(2 921 709)
	<u>-</u>	<u>-</u>

#### Audit fees

Opening balance	4 578 667	2 747 170
Amount paid - current year	7 750 689	4 578 667
Amount paid - previous years	(4 578 667)	(2 747 170)
	<u>7 750 689</u>	<u>4 578 667</u>

#### PAYE and UIF

Opening balance	16 049 998	13 945 700
Amount paid - current year	19 169 143	16 049 998
Amount paid - previous years	(16 049 998)	(13 945 700)
	<u>19 169 143</u>	<u>16 049 998</u>

#### Pension and medical aid deductions

Opening balance	36 892 773	34 177 512
Amount paid - current year	37 322 850	36 892 773
Amount paid - previous years	(36 892 773)	(34 177 512)
	<u>37 322 850</u>	<u>36 892 773</u>

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor N Dyase	1 549	645	2 194
Councillor E Molatlwana	1 759	515	2 274
Councillor I Meraba	2 184	6 692	8 876
Councillor Tundzi-Hawu	1 982	272	2 254
Councillor C Seitheisho	3 473	10 086	13 559
	<u>10 947</u>	<u>18 210</u>	<u>29 157</u>

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor E Molatlwana	548	236	784
Councillor D Mampe	645	303	948
Councillor I Meraba	963	7 434	8 397
Councillor A Mncube	144	144	288
Councillor C Seitheisho	1 399	4 194	5 593
	<u>3 699</u>	<u>12 311</u>	<u>16 010</u>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

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### 49. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2016

	Highest outstanding amount	Aging (in days)
Councillor C Seitheisho	13 559	120
Councillor I Meraba	8 876	120
Councillor E Molatlhwa	2 274	120
Councillor Tundzi-Hawu	2 254	120
Councillor N Dyase	2 194	120
	<b>29 157</b>	<b>-</b>

30 June 2015

	Highest outstanding amount	Aging (in days)
Councillor I Meraba	8 397	120
Councillor C Seitheisho	5 593	120
Councillor D Mampe	948	90
Councillor E Molatlhwa	784	90
Councillor A Mncube	288	120
	<b>16 010</b>	<b>-</b>

### 50. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the audited annual financial statements.

The municipality deviated in terms of the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Deviations approved in terms of section 12(1)(d)(i)	<b>6 395 975</b>	<b>2 186 813</b>
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### 51. Distribution losses

Electricity losses 29% (2015:29%) Kilo watts	<b>28 662 476</b>	<b>29 861 035</b>
Water losses 17% (2015:17%) Kilo litres	<b>1 219 574</b>	<b>1 208 543</b>
	<b>29 882 050</b>	<b>31 069 578</b>

The summary of electricity losses for the year is 29% made up of purchases of 99,117,436 kilowatts and sales of 70,462,399 kilowatts, resulting in a loss of 28,662,476 kilowatts. The summary of water losses for the year is 17% made up of purchases of 6,907,611 kilolitres and sales of 5,568,980 kilolitres resulting in a loss of 1,219,574 kilolitres.

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### 52. Change in accounting estimate

A review of Property Plant and Equipment was performed during the year and the useful life has being re-assed and adjusted on 01 July 2015. A change in the estimated useful life of Property Plant and Equipment has resulted in the following change in depreciation for the year:

The effect of this revision has decreased the depreciation charge for the current year by R 4 470 525 as indicated in the summary below:

Property, plant and equipment	Depreciation- before	Depreciation- after	Change
Land and building	(2 156 849)	1 645 743	(511 106)
Housing	(408 115)	279 468	(128 647)
Community (incl. land)	(6 913 512)	5 383 205	(1 530 307)
Sports and recreation (incl. land)	(1 701 805)	1 367 253	(334 552)
Electricity network	(6 122 611)	7 350 924	1 228 313
Sanitation network	(1 999 960)	2 177 991	178 031
Water network	(5 830 378)	2 497 430	(3 332 948)
Roads and stormwater network	(15 226 177)	15 186 868	(39 309)
	<u>(40 359 407)</u>	<u>35 888 882</u>	<u>(4 470 525)</u>

### 53. Events after the reporting date

The Accounting Officer is not aware of any matter or circumstance arising since the end of the Financial year to date of authorisation of these Financial Statements, except as disclosed below:

- Westonaria Local Municipality merged with Randfontein Local Municipality on the 03 August 2016 to form Randwest City Local Municipality.

- Irregular expenditure amounting to R 21 058 356 for 2013/2014 and R 28 722 811 for 2014/2015 were written off by Council on the 27th of July 2016.

### 54. Budget differences

#### Material differences between budget and actual amounts

There were no other material differences between the final budget and the actual amounts, all budget variances above 10 % have been explained below.

#### 54.1 Property Rates

Although the mines were billed they were not budgeted for, as they are not paying

#### 54.2 Service charges

Greater demand for services with the establishment of a new township (Borwa)

#### 54.3 Interest earned - external investments

Funds were kept in a call account to assist the municipality with cash flow.

#### 54.4 Fines

Collection rate was slow in the beginning of the year, appointed a service provider later in the year hence the increase.

#### 54.5 Gains on disposal of PPE

There were no gains from disposal of PPE.

#### 54.6 Public contributions and donations

Public donations are not budgeted for.

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### 54. Budget differences (continued)

#### 54.7 Debt impairment

The non payment of property rates by mines due to their objection have raised the debt impairment portion and council did not budget for this expenditure

#### 54.8 Finance charges

Interest on late payment not budgeted for.

#### 54.9 Contracted services

The council needed more security due to strikes and cable theft - (thus underbudgeted for mabotwane), extension of work from contractors.

#### 54.10 Write offs

Write off of prescribed debtors.

#### 54.11 Interest cost

Interest cost on landfill site rehabilitation and workmens compensation.



**Westonaria Local Municipality**  
**Appendix A**

**Schedule of external loans as at 30 June 2016**

Loan Number	Redeemable	Balance at 30 June 2015	Received during the period	Redeemed written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
<b>Loan Stock</b>							
<b>Structured loans</b>							
<b>Funding facility</b>							
<b>Development Bank of South Africa</b>							
DBSA @ 8.5%	10506/102	30/06/2017	1 837 461	-	671 589	1 165 872	-
			<b>1 837 461</b>	<b>-</b>	<b>671 589</b>	<b>1 165 872</b>	<b>-</b>
<b>Bonds</b>							
<b>Other loans</b>							
Standard bank @ 9.85%	STD BANK	01/09/2017	10 264 660	-	2 657 606	7 607 054	-
			<b>10 264 660</b>	<b>-</b>	<b>2 657 606</b>	<b>7 607 054</b>	<b>-</b>
<b>Lease liability</b>							
<b>Annuity loans</b>							
INCA West 01-0004 @ 13.27%	West 01-0004	30/06/2014	-	-	-	-	-
INCA West 01-0005 @ 10.61%	West 01-0005	31/12/2015	668 651	-	402 538	266 113	-
INCA West 01-0008 @ 11.11%	West 01-0008	30/06/2017	1 246 451	-	403 169	843 282	-
INCA West 01-0009 @ 13.36%	West 01-0009	30/06/2018	2 994 796	-	610 478	2 384 318	-
INCA West 01-0011 @ 13.79%	West 01-0011	30/08/2015	2 116 070	-	1 663 372	452 698	-
			<b>7 025 968</b>	<b>-</b>	<b>3 079 557</b>	<b>3 946 411</b>	<b>-</b>
<b>Government loans</b>							
<b>Total external loans</b>							
Development Bank of South Africa			1 837 461	-	671 589	1 165 872	-
Other loans			10 264 660	-	2 657 606	7 607 054	-
Annuity loans			7 025 968	-	3 079 557	3 946 411	-
			<b>19 128 089</b>	<b>-</b>	<b>6 408 752</b>	<b>12 719 337</b>	<b>-</b>